

"all about SAC's"

9 months results Swisscom

Investor & Analyst Presentation

9 November 2011



Agenda “all about SAC’s” (Subscriber Acquisition Costs)

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1. All about SAC’s

Carsten Schlöter, CEO

- Introduction, why focus on SAC’s?
- SAC’s, an overview
- SAC’s = expensive
- SAC’s, the drivers
- Switzerland, a SAC’s market
- SAC’s, ultimately a profitable business

2. Revenue dynamics

- Swisscom Group, reduction caused by MTR’s & roaming as well as Fastweb (FX, regulation)
- Swisscom Switzerland, single play versus bundles
- Fastweb, reduction mostly driven by regulation
- Fastweb, operational improvement defined to defend profitability

3. Segmental results

4. Group results

Ueli Dietiker, CFO

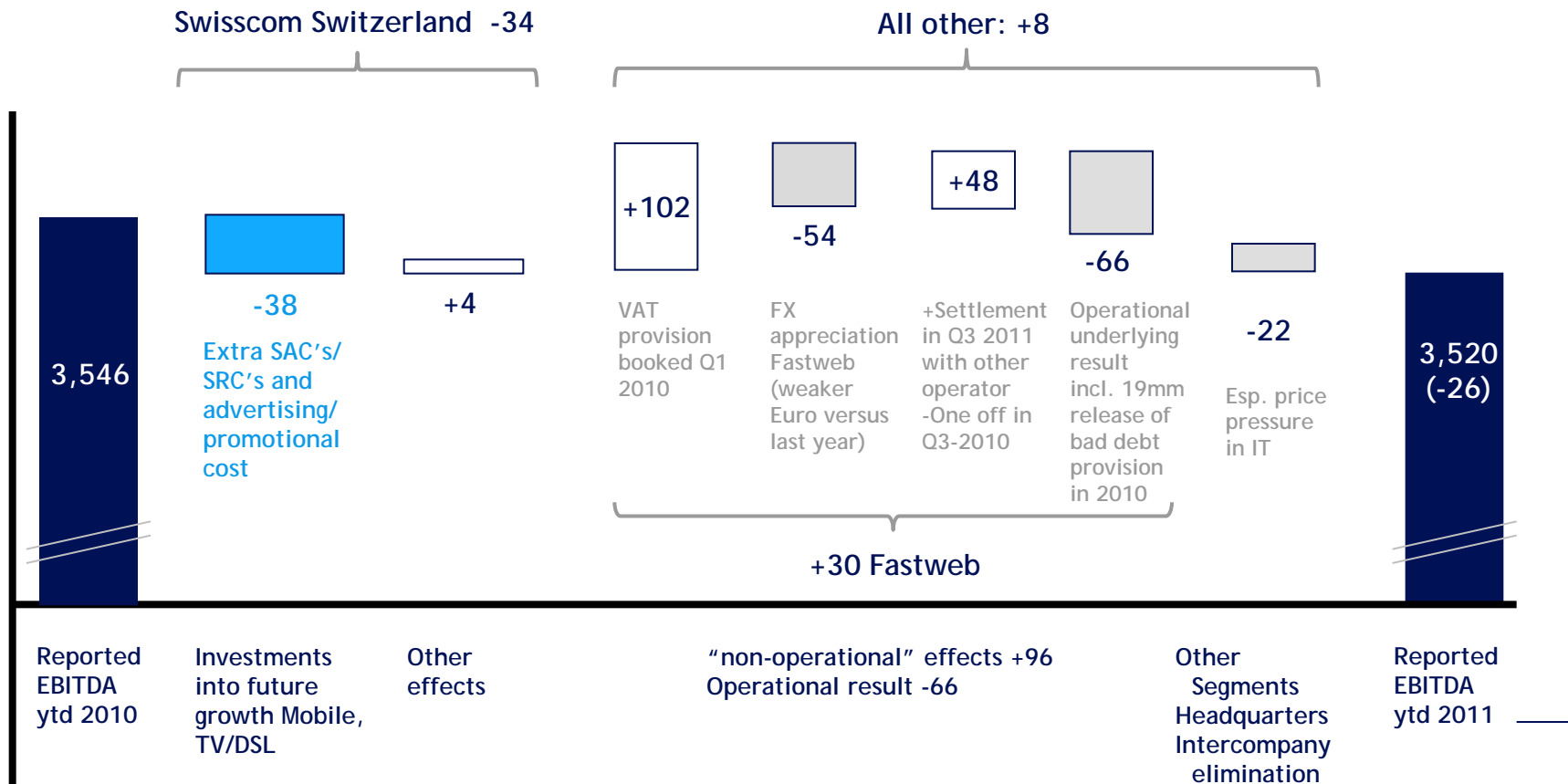
5. Outlook 2011

Introduction - why focus on SAC's?

Because it explains "all" of the EBITDA decline

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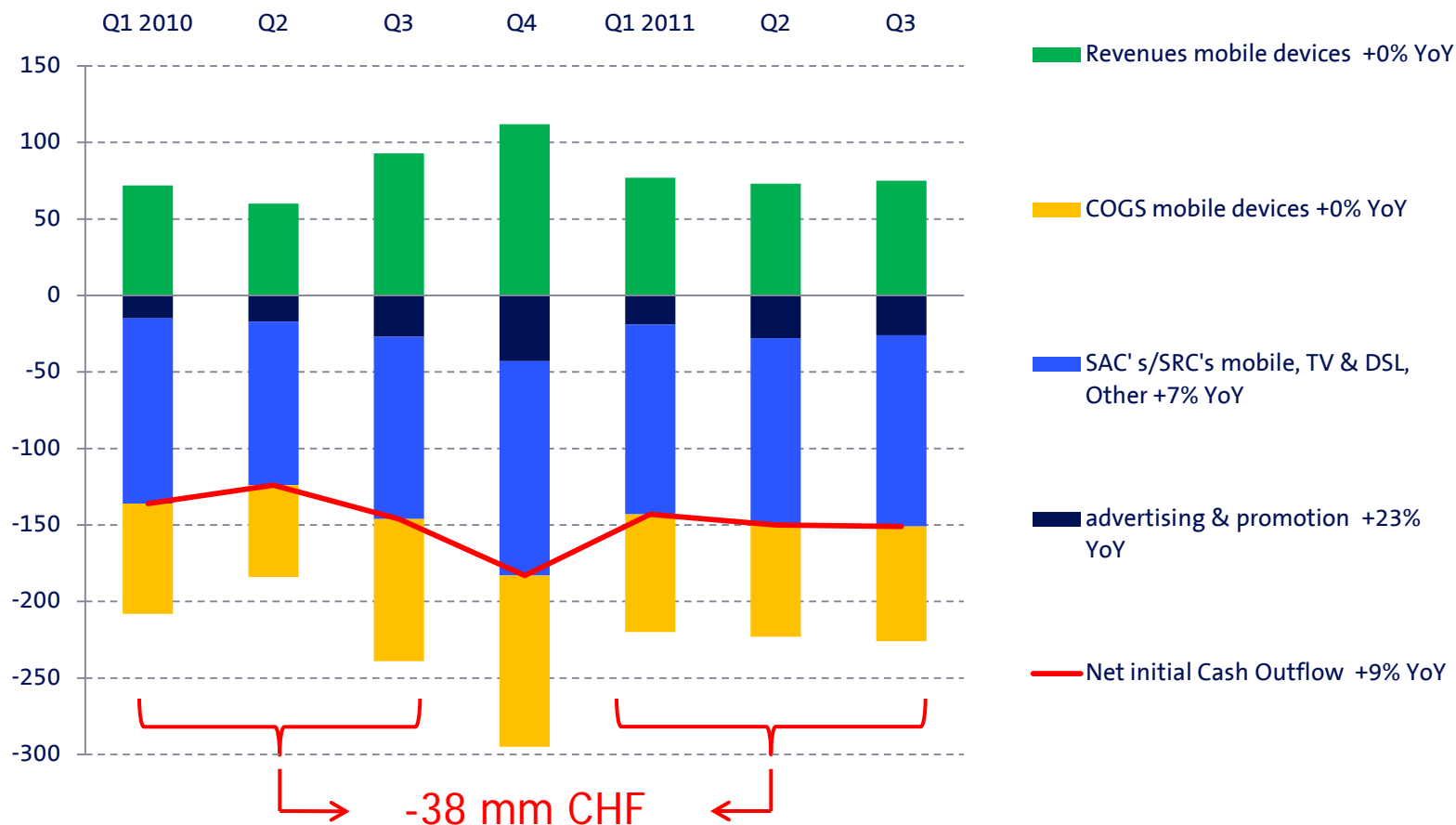
EBITDA Change YoY (9m 2011 versus 9m 2010) in CHF mm, total Swisscom Group



SAC's matters: Acquisition/Retention, promotion & provisions are costly in the short term, but are paid back within 12 months

1. SAC's, an overview

Revenues and cost of devices/hardware (CHF mm)



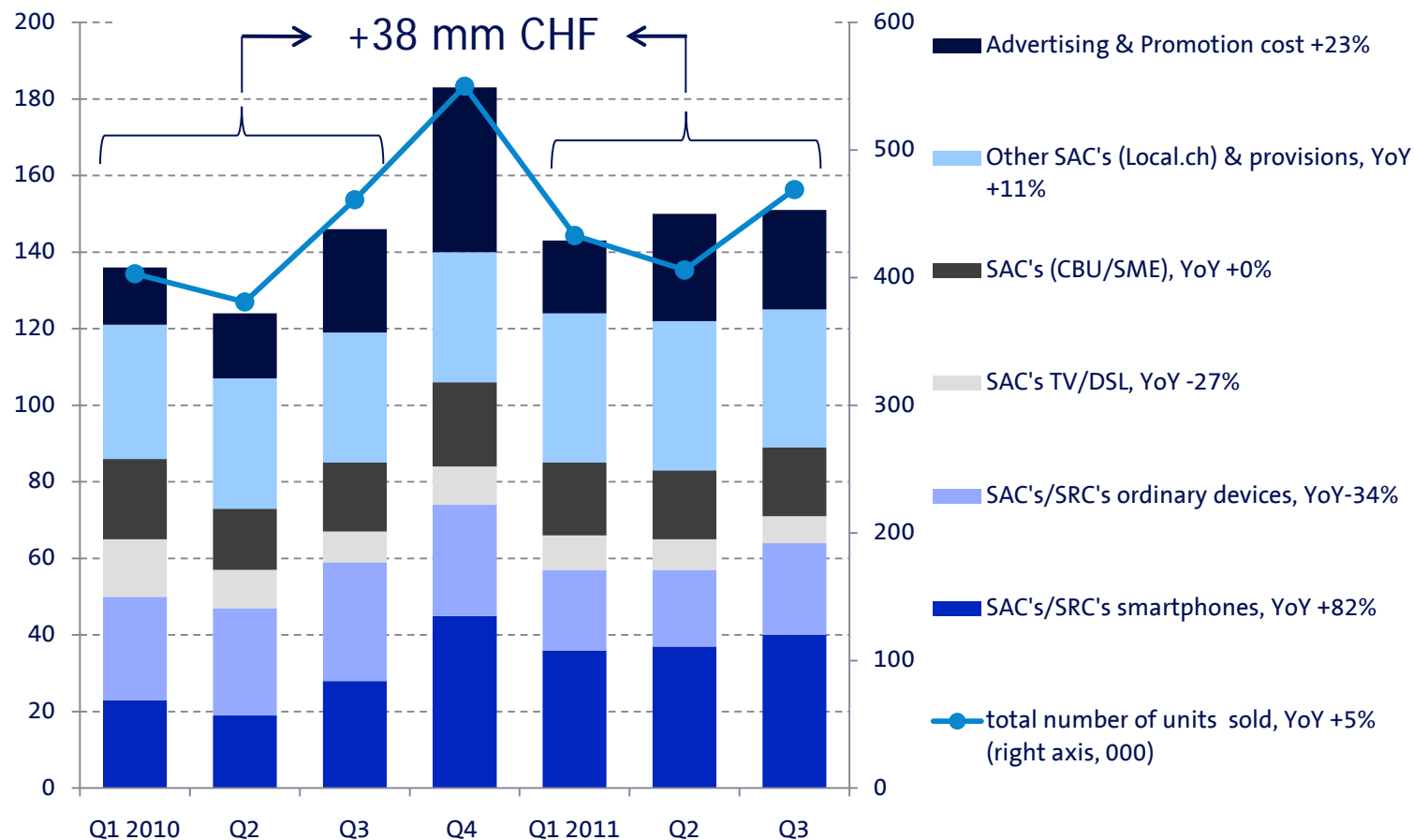
Net initial cash outflow CHF 38mm more negative than for 9 months of last year, explaining "all" of the EBITDA reduction at Swisscom Switzerland

1. SAC's = expensive

cost per category
(CHF mm)

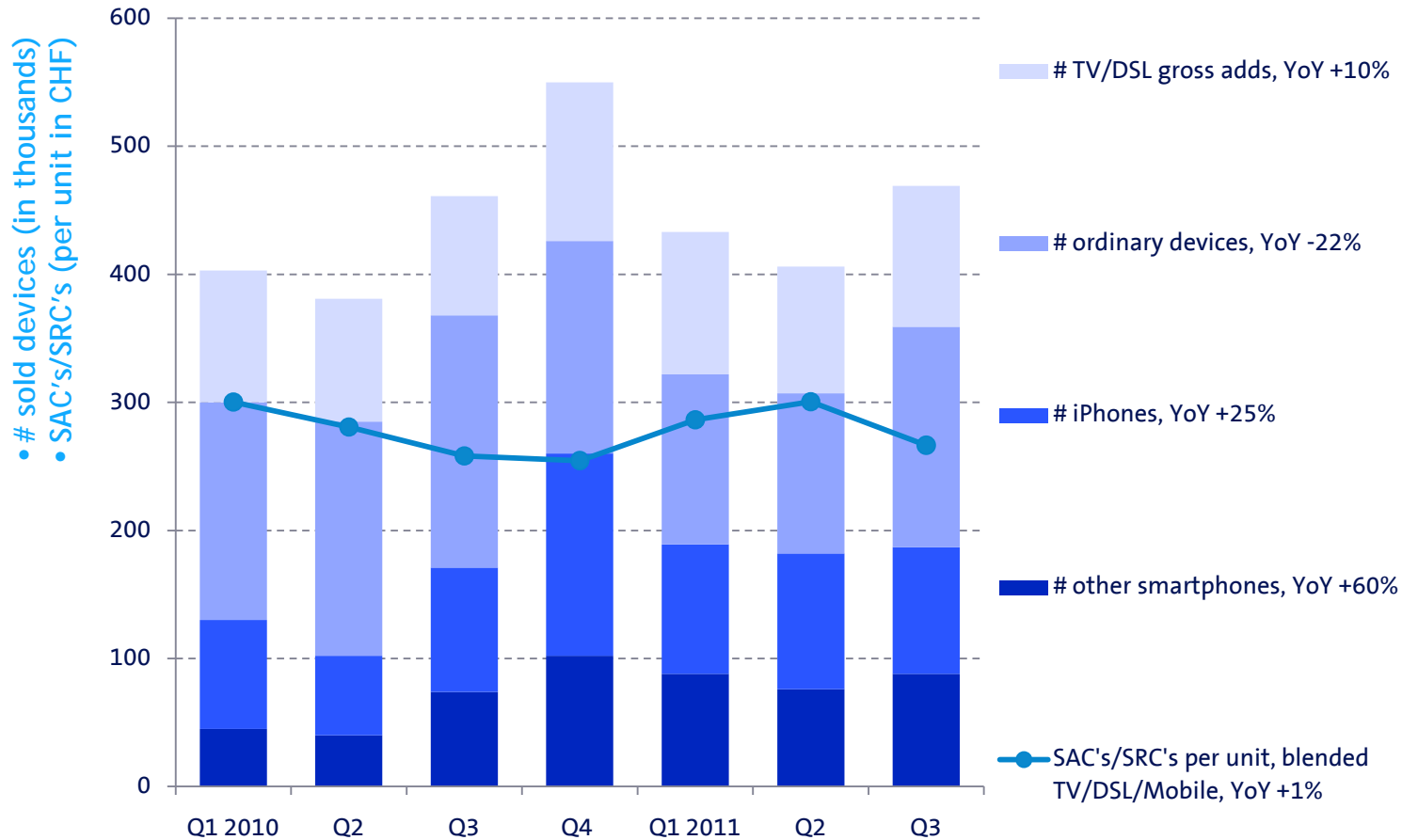
sold devices/TV/DSL
(thousands)

Cost categories and YoY
change for 9 months



9 months SAC's and promotional cost 38 million higher than last year, with key driver being subsidies for smartphones (+43mm YoY). Overall cost trend fully in line with number of devices / connections sold

1. SAC's, the drivers

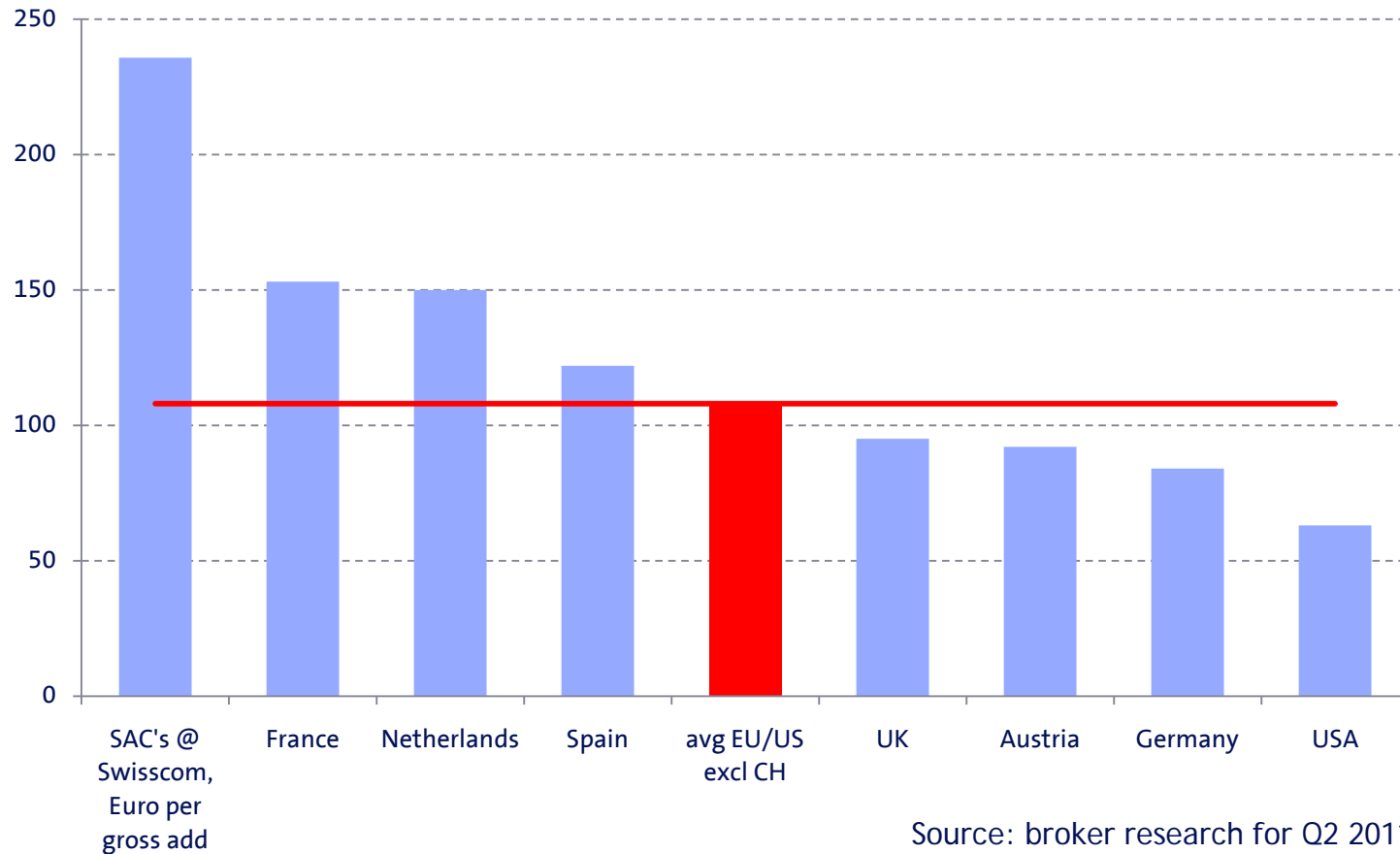


25% more iPhones and 60% more "other smartphones" with higher unit costs than "ordinary" devices (-22% YoY), however SAC's per unit stable

1. Switzerland, a SAC's market

In Euro/
gross add

SAC's paid in different markets (mobile only, no wireline products)

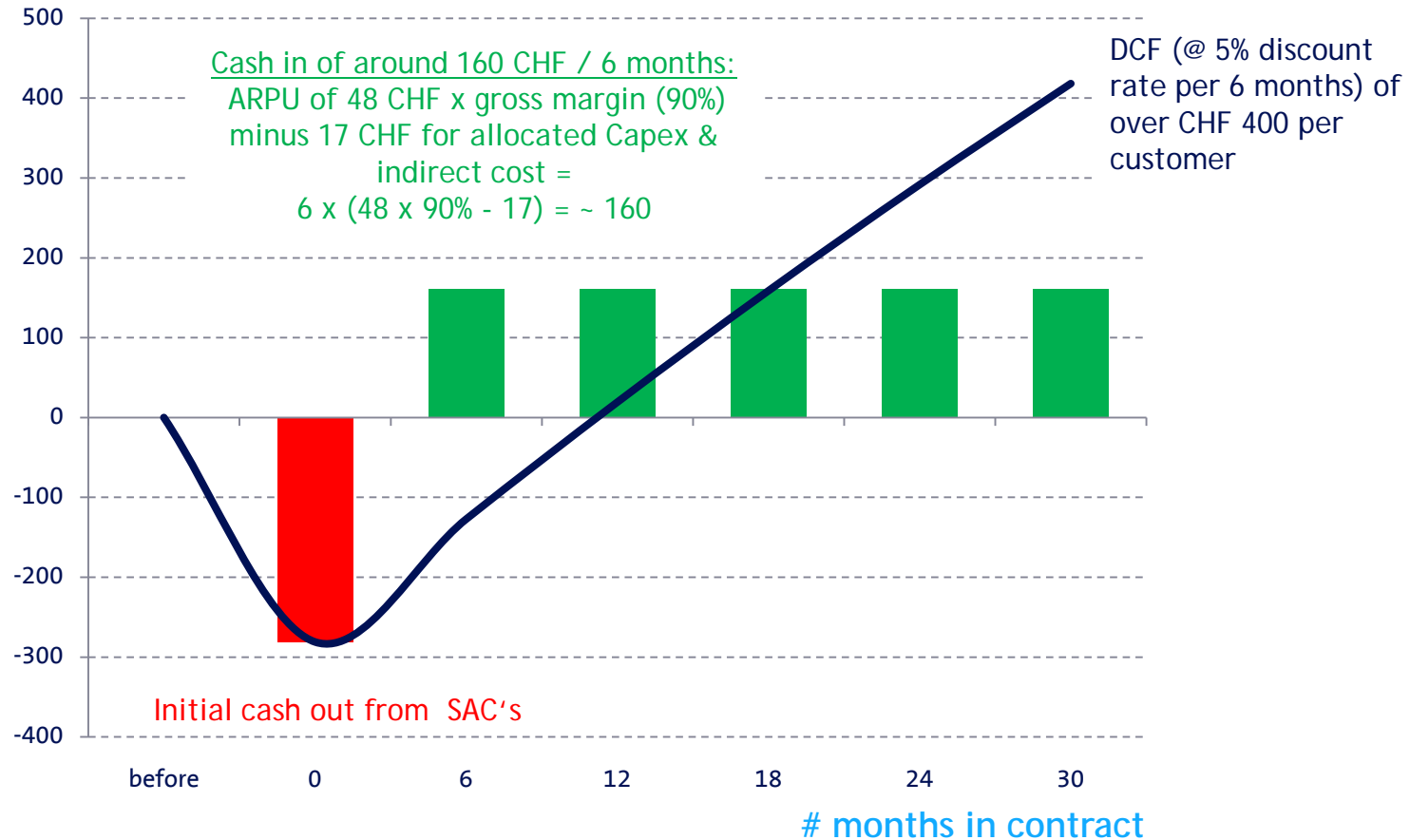


Source: broker research for Q2 2011
Exchange rate used: 1.25 CHF/€

Swiss competition very focused on offering initial advantages to customers, which are to be earned back over the contract lifetime

1. SAC's, ultimately a profitable business

In CHF/
customer

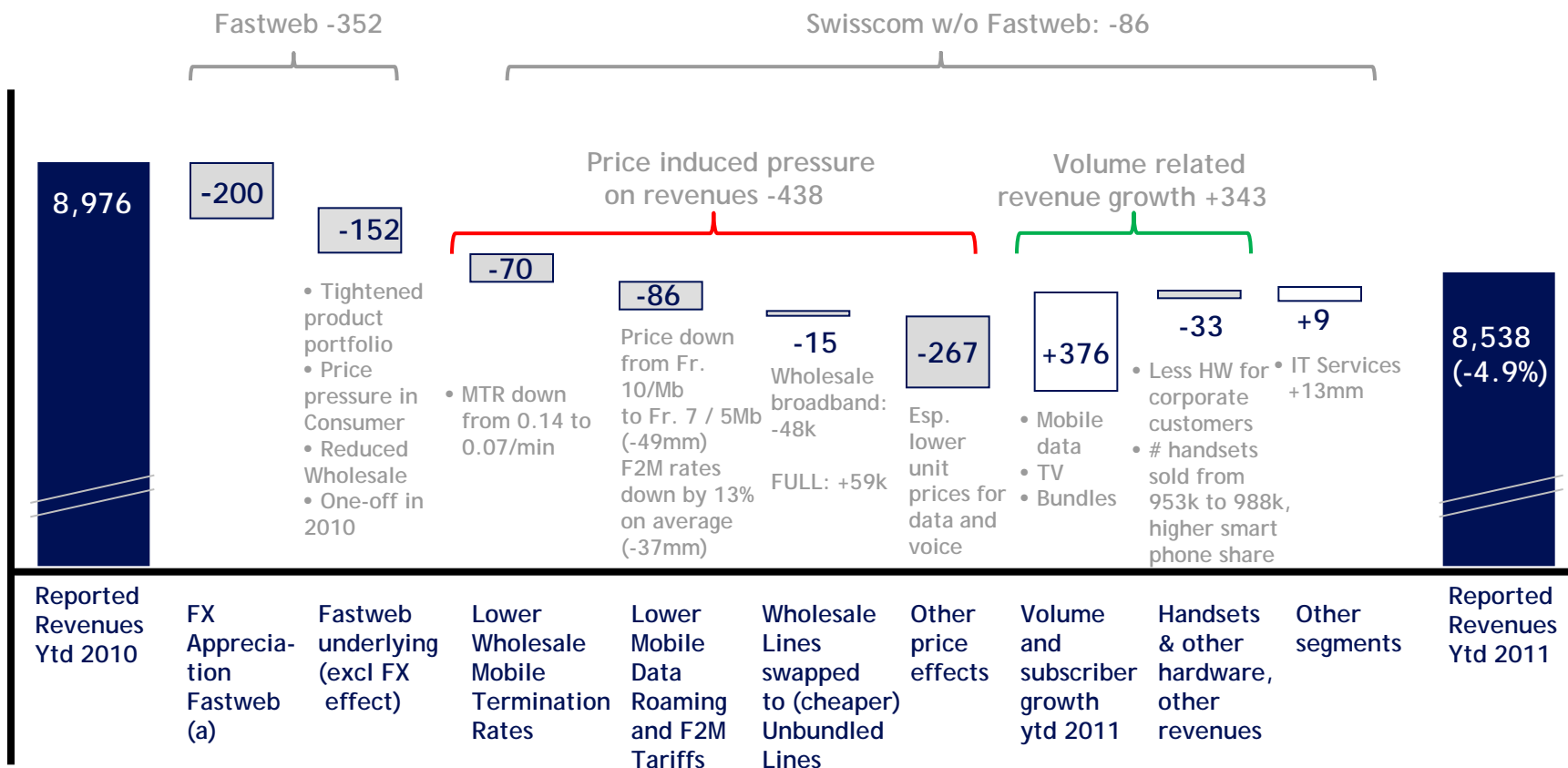


Despite high SAC's, customer profitable after around 12 months on an average contract duration of 31 months

2. Revenue dynamics, Swisscom Group

Change YoY (9m 2011 versus 9m 2010) in CHF mm, total Swisscom Group

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(a) Average exchange rate CHF/€ ytd 2010: 1.391 and in ytd 2011: 1.236, i.e. a weakening of Euro against Swiss Franc of 11.1%

Revenues excluding FX appreciation down -2.6%

2. Revenue dynamics Switzerland - volumes single play versus bundles

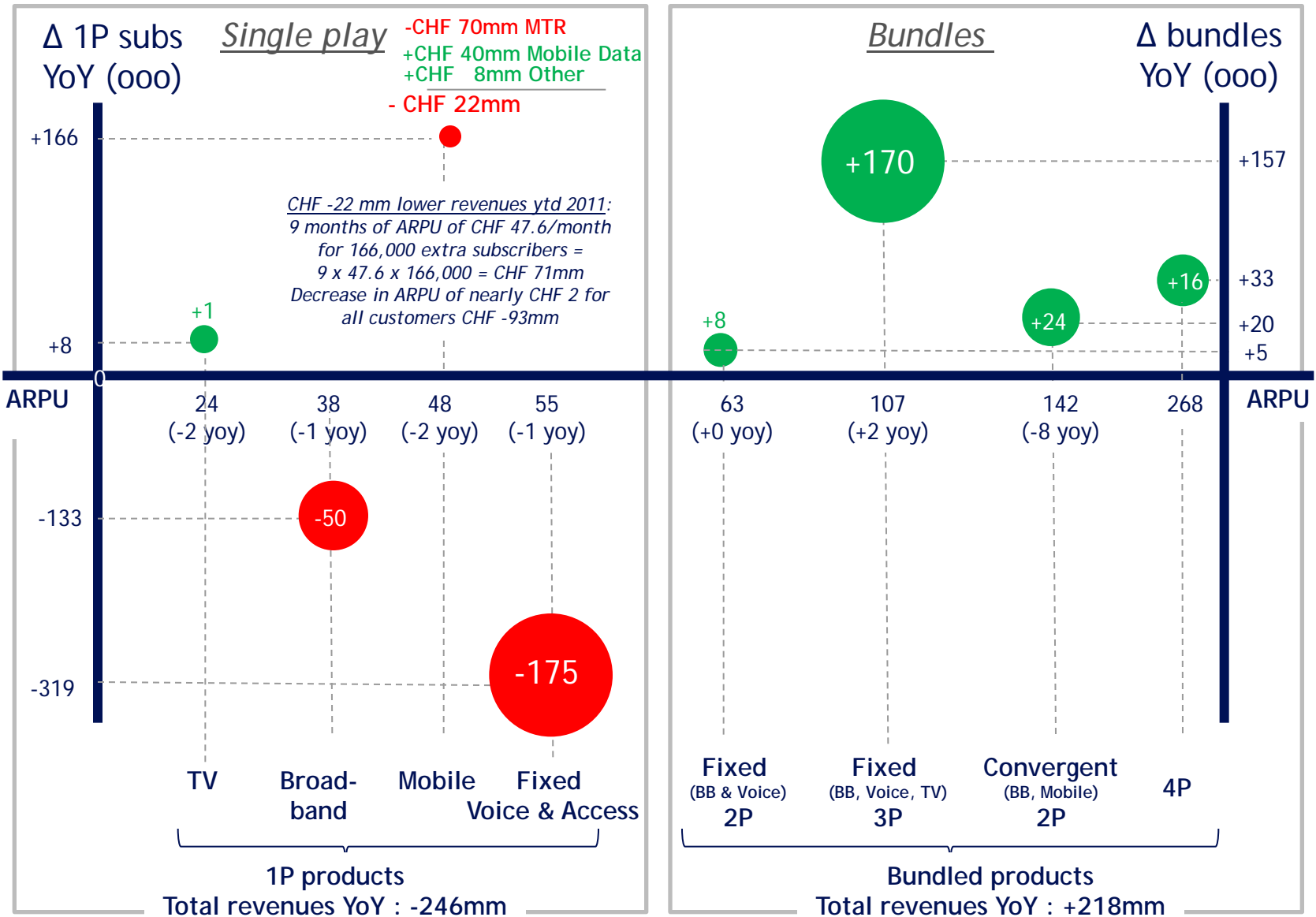
Access Lines/Subs/Products
(000)

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	Change in Q3					Change YoY (12 month)					Subs/Products 30.9.2011					
	TV	Fixed Voice & Access	Broadband	Mobile	Sum	TV	Fixed Voice & Access	Broadband	Mobile	Sum	TV	Fixed Voice & Access	Broadband	Mobile	# of products in Bundle	Sum
Single Play	-4	-73	-34	+30		+8	-319	-133	+166		209	2'671	1'072	5'856	1	9'808
2P Wireline		-1					+5					125			2	250
2P Convergent			+4					+20					91		2	182
3P Wireline	+15					+157					314				3	942
4Play	+33					+33					33				4	132
Nbr of underlying products	+44	-26	+17	+67	+102	+198	-124	+82	+219	+375	556	3'143	1'635	5'980		11'314
Migration to ULL		+12				+59										
Net change		-14				-65										

Q3 with strong growth compared to previous quarters. Launch of Quadruple play (only from August) very successful, causing an acceleration of growth in underlying products in Q3

2. Δ revenues YoY Switzerland, single play decline compensated by bundles

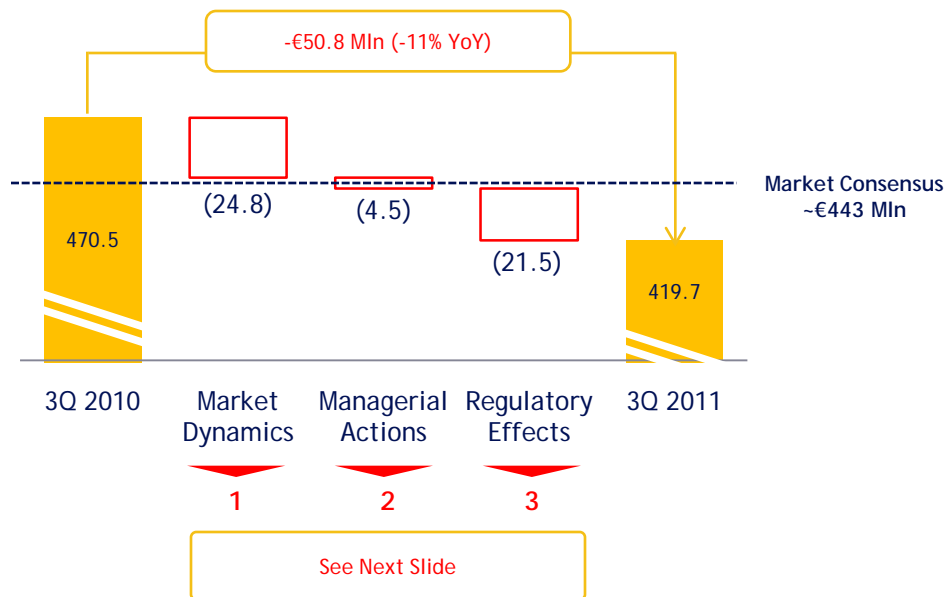


-28mm, of which -70mm through lower (margin neutral) MTR's

2. Revenue dynamics, Fastweb (1/3)

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3Q 2011 revenues decreased by €50.8 Mln/-11% YoY
However, the main drivers of the performance were managerial decisions and regulatory effects, with market dynamics accounting for less than 50% of the decrease



Excluding the effect of managerial actions and regulatory/settlement effects, 3Q revenues would be in line with market expectation

2. Revenue dynamics, Fastweb (2/3)

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1

Market Dynamics (Consumer and Corporate)

-€24.8 Mln

Consumer ARPU Effect

-€14.3 Mln

- Impact of lower usage (average minutes/customers) due to M2F substitution
- Fee reduction due to overall competitive market pressure

Consumer Customer Effect

+€2.7 Mln

- Positive effect of the activation of new customers

Corporate Business Effect

-€13.2 Mln

- Lower revenues due to one off projects with the PA booked in 3Q 2010 (-€17.7 Mln)
- Stronger performance of recurring business (+€4.5 Mln YoY) partially offset the above trend

2

Managerial Actions

-€4.5 Mln

Tightened product portfolio: effect of the decision to terminate Hardware sales

3

Regulatory Effects

-€21.5 Mln

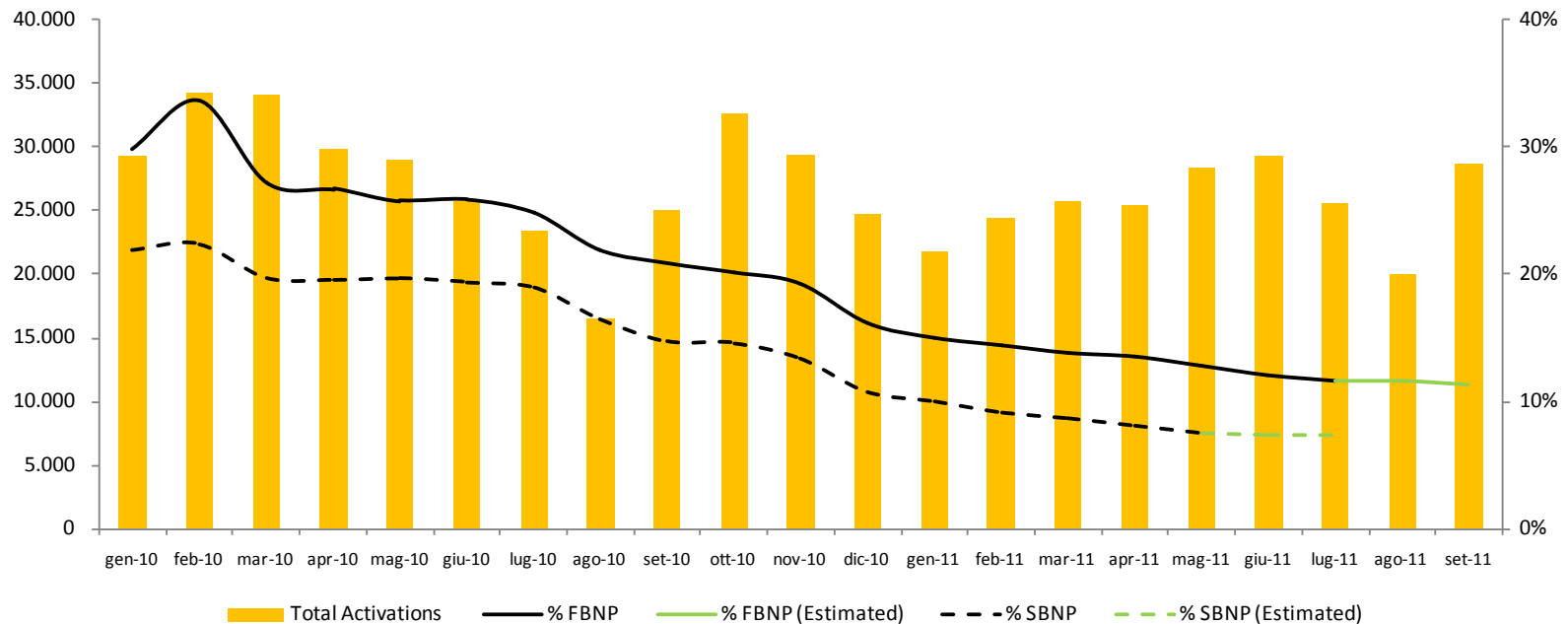
Effects of regulatory changes vs 3Q 2010, including the reduction of mobile termination rates and € 14.7 Mln revenues from settlement with another operator booked in Q2 2010

2. Revenue dynamics, Fastweb (3/3)

Development FBNP & SBNP (First and Second Bill Not Paid)

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Overall FBNP and SBNP

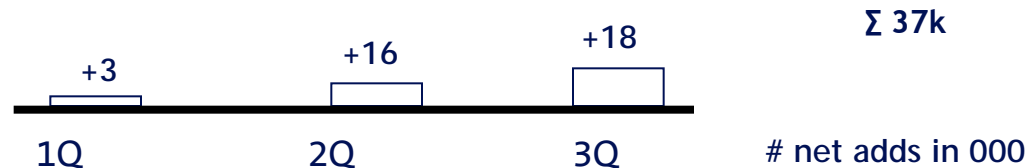


The 12% target of FBNP originally set for October was reached in July
Further improvements are expected in coming months

2. Fastweb, operational improvements defined to defend profitability

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- **Distribution improvement** through Sky Partnership, offering a Broadband/TV bundle:



- Key **cost reductions** to be realised near term:

target 2013 vs 2011:

1. Bad debt reduction

€ 30 mm

- Lower bad debt/revenues : to <3% from 5%
- Increase cash-in: to 96% from 93%
- Lower First Bill Not Paid from 30% last year to < 15% now

2. Lower cost to connect

€ 25 mm

- From proprietary Home Access Gateway to “off the shelf” modem
- From truck roll out to self install

3. Other

€ 65 mm

- IT / Outsourcing
- Organisational changes & Sites rationalisation (reduction offices)
- IPTV review
- Customer operations excellence / customer care/process improvements

Cash out reduction initiatives underway to lower 2013 cost base versus 2011 by € 120 mm

Agenda “all about SAC’s”

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1. All about SAC’s
2. Revenue dynamics

Carsten Schlöter, CEO

3. Segmental results
4. Group results
5. Outlook 2011

Ueli Dietiker, CFO

3. Segmental results: residential customers

Financials and operational data

	30.09.2011	YOY
Net revenue in MCHF ¹⁾	3'825	-1.3%
Direct costs in MCHF	-916	-2.8%
Indirect costs in MCHF ²⁾	-648	4.9%
Contribution Margin 2 in MCHF	2'261	-2.3%
<i>Contribution Margin 2 in %</i>	<i>59.1%</i>	
CAPEX in MCHF	92	4.5%
FTE's	4'739	2.9%

	30.09.2011	YOY
Voice lines in '000	2'383	-4.9%
BB lines in '000	1'432	4.6%
Wireless customers in '000	4'563	1.7%
Wireless cancellation rate (annualised)	14.6%	-0.4pp
Blended wireless ARPU in CHF	41	-2.4%
thereof ARPU new data in CHF	5.1	10.9%
Blended wireless AMPU in Min.	106	6.0%
Wireline traffic national in Mmin.	3'319	-11.5%
Wireline traffic int'l in Mmin.	433	-9.4%
TV subs in '000	539	54.9%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

9m 2011

- Net revenue slightly down by -1.3%. New data, Bundles and Subscriber growth compensate almost for price erosion and lower termination rates
- Wireline revenue down -1.4% (new bundle products, broadband subs and IPTV growth nearly compensate voice line loss and price erosion)
- Direct cost decrease -2.8%, lower outpayments overcompensate higher subscriber acquisition and retention cost
- Indirect cost up +4.9% (efficiency gains are offset by higher expenses for advertising)
- Contribution Margin down -0.6%-points to at 59.1%
- TV Subscriber up +54.9%
- New Data ARPU up +10.9%

3. Segmental results: SME (Small & Medium Enterprises)

Financials and operational data

	30.09.2011	YOY
Net revenue in MCHF ¹⁾	881	-0.1%
Direct costs in MCHF	-113	-11.7%
Indirect costs in MCHF ²⁾	-111	11.0%
Contribution Margin 2 in MCHF	657	0.5%
<i>Contribution Margin 2 in %</i>	<i>74.6%</i>	
CAPEX in MCHF	9	80.0%
FTE's	812	9.3%

	30.09.2011	YOY
Voice lines in '000	516	0.6%
BB lines in '000	171	10.3%
Wireless customers in '000	509	4.9%
Wireless cancellation rate (annualised)	6.7%	0.7pp
Blended wireless ARPU in CHF	89	-5.3%
thereof ARPU new data in CHF	13.3	2.3%
Blended wireless AMPU in Min.	209	-0.5%
Wireline traffic national in Mmin.	1'015	-5.8%
Wireline traffic int'l in Mmin.	125	-6.0%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

9m 2011

- Net revenue stable -0.1% (price erosion nearly compensated by ongoing subscriber, bundles and new data growth)
- Direct costs down by -11.7% due to lower outpayments
- Indirect cost up +11.0% (efficiency gains are overcompensated by expenses for service level and a higher number of FTE)
- Contribution Margin up 0.5%-points to 74.6% due to lower direct costs
- BB lines up +10.3%
- New Data ARPU up 2.3% to 13.3 CHF/month

3. Segmental results: corporate business

Financials and operational data

	30.09.2011	YOY
Net revenue in MCHF ¹⁾	1'384	0.7%
Direct costs in MCHF	-318	-1.2%
Indirect costs in MCHF ²⁾	-340	9.0%
Contribution Margin 2 in MCHF	726	-2.0%
<i>Contribution Margin 2 in %</i>	<i>52.5%</i>	
CAPEX in MCHF	73	46.0%
FTE's	2'395	8.4%

	30.09.2011	YOY
Voice lines in '000	244	-1.2%
BB lines in '000	32	10.3%
Wireless customers in '000	908	15.1%
Wireless cancellation rate (annualised)	5.3%	1.3pp
Blended wireless ARPU in CHF	61	-10.3%
thereof ARPU new data in CHF	17.7	2.9%
Blended wireless AMPU in Min.	154	-7.2%
Wireline traffic national in Mmin.	1'119	-3.5%
Wireline traffic int'l in Mmin.	263	-1.1%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

9m 2011

- **Revenue** up by 0.7%, partially by acquisition of Asept. Decline of wireline revenue (price erosion) overcompensated by rising projects/outourcing and Mobile revenue (subscriber and new data growth)
- **Direct cost** down by -1.2% driven by lower outpayments
- **Indirect cost** increase by 9.0% due to the acquisition of Asept, a higher number of FTE and higher cost for ext. employees
- Increase of FTE +8.4% driven by the acquisition of Asept in December and by outsourcing deals
- **Contribution Margin** decreased by 1.4%-points to 52.5% due to change in revenue mix (low margin) and increased indirect costs

3. Segmental results: wholesale

Financials and operational data

	30.09.2011	YOY
Revenue from external customers in MCHF	465	-20.2%
Intersegment revenue in MCHF	297	-24.4%
Net revenue in MCHF	762	-21.9%
Direct costs in MCHF	-460	-27.0%
Indirect costs in MCHF ¹⁾	-12	-25.0%
Contribution Margin 2 in MCHF	290	-12.1%
<i>Contribution Margin 2 in %</i>	<i>38.1%</i>	
CAPEX in MCHF	-	nm
FTE's	108	4.9%

	30.09.2011	YOY
Full access lines in '000	297	24.8%
BB (wholesale) lines in '000	192	-20.0%
Wireline wholesale traffic in Mmin.	6'589	-9.2%

1) incl. capitalised costs and other income

9m 2011

- **Net revenue** decreased by 214 MCHF
 - lower mobile termination rates
 - lower roaming rates
 - ongoing substitution towards full access
 - revenue decrease in data services
- **Direct costs** down by 170 MCHF as many revenue drivers push also down direct cost
- **Full access lines (ULL)** increased substantially, mostly substituting wholesale broadband lines

3. Segmental results: network and support functions

Financials and operational data

9m 2011

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	30.09.2011	YOY
Personnel expenses in MCHF	-471	-3.9%
Rent in MCHF	-132	-5.0%
Maintenance in MCHF	-155	0.6%
IT expenses in MCHF	-208	-14.8%
Other OPEX in MCHF	-216	-2.3%
Indirect costs in MCHF	-1'182	-5.3%
Capitalised costs and other income in MCHF	127	4.1%
Contribution Margin 2 in MCHF	-1'055	-6.3%
Depreciation, amortisation and impairment in MCHF	-627	-4.1%
Segment result in MCHF	-1'682	-5.5%
CAPEX in MCHF	807	26.1%
FTE's	4'077	1.8%

- **Indirect costs** down by 66 MCHF mostly driven by cost savings due to efficiency improvements and lower termination benefits
- **Segment result** increased by 98 MCHF as a result of lower indirect costs as well as lower depreciation charges due to a change of useful life of cable (fibre) from 20 years to 30 years
- **CAPEX** above previous year (26.1%) mainly driven by higher spending for the fibre-infrastructure and the wireless network

3. Segmental results: Fastweb

Financials and operational data

	30.09.2011	YOY
Consumer revenue in MEUR	571	-13.2%
SME revenue in MEUR	166	-6.7%
Executive revenue in MEUR ¹⁾	558	-2.1%
Net revenue in MEUR ¹⁾	1'295	-7.8%
OPEX in MEUR	-980	-11.3%
Capitalised costs and other income in MEUR	92	124.4%
EBITDA in MEUR	407	19.4%
<i>EBITDA margin in %</i>	<i>31.4%</i>	
CAPEX in MEUR	316	4.3%
OpFCF Proxy in MEUR	91	nm
FTE's	3'106	-0.6%
In Swisscom accounts	30.09.2011	YOY
EBITDA in MCHF	503	6.3%
CAPEX in MCHF	390	-7.4%
	30.09.2011	YOY
BB customers in '000	1'560	-8.9%
Mobile value customers in '000	293	46.5%

1) incl. revenues to Swisscom companies

9m 2011

- **Revenues decreased by 7.8% YoY**
 - Strategically tightened product portfolio: reduced hardware sales
 - Consumer and SME affected by stronger market competition causing high churn rates and price pressure
 - Executive revenue down due to wholesale, excluding wholesale a slight increase results
- **EBITDA reaches 407 MEUR, up 19% YOY.** Adjusted for the special effects such as the VAT provision and the settlements of legal disputes in 2010 and in Q3-2011, EBITDA decreased by -11.4% YOY due to
 - Competition caused by price pressure
 - Decrease of high margin revenues
- **Contribution to Swisscom EBITDA in CHF +6.3%.** Considering the VAT provision of 2010 and the settlement of a legal dispute in Q3-2011 as "one-off", the comparable contribution in CHF is -24.5% lower, additionally impacted by the ongoing strengthening of Swiss Franc in a YOY context.
(Currency impact in Swisscom accounts: revenue -200 MCHF / EBITDA -54 MCHF)
- **Customer base is reduced by 197k in Q3 2011** due to the settlement of a legal dispute with another operator

3. Segmental results: Other

Financials and operational data

	30.09.2011	YOY
Swisscom IT Services in MCHF	400	3.4%
Swisscom Participations in MCHF	237	0.9%
Hospitality Services in MCHF	53	-8.6%
Other in MCHF	-	n.m.
External revenue in MCHF	690	1.3%
Net revenue in MCHF ¹⁾	1'285	0.5%
OPEX in MCHF	-1'078	2.8%
Capitalised costs and other income in MCHF	31	-11.4%
EBITDA in MCHF	238	-10.2%
<i>EBITDA margin in %</i>	<i>18.5%</i>	
CAPEX in MCHF	113	43.0%
FTE's	4'428	1.1%

1) incl. intersegment revenues

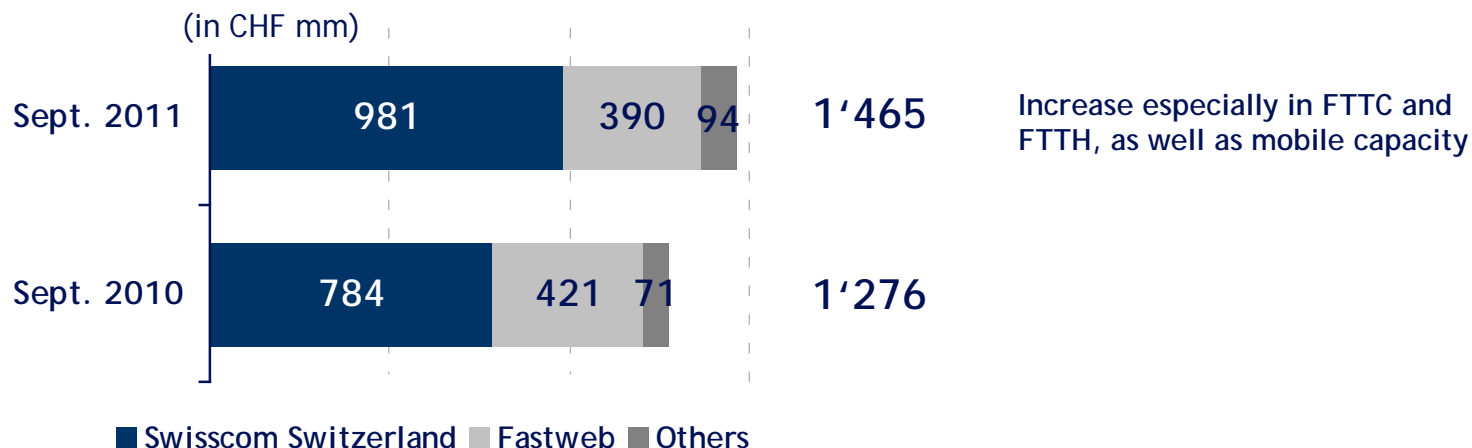
9m 2011

- **External revenue up by 9 MCHF (+1.3%):**
IT Services up by 13 MCHF, mainly due to the acquisition of a new company in 2010
- **Intersegment revenues down by 3 MCHF** as a result of reduced intersegment revenues at IT Services offset by higher intersegment revenues at Participations
- **EBITDA down by 27 MCHF** and EBITDA margin down by 2.2%-points due to revenue increase with overall lower margins
- **Order intake IT Services 259 MCHF**
- **Hospitality Services revenues down in Swiss Francs** due to weakening of Euro. In Euro terms: +2% YoY

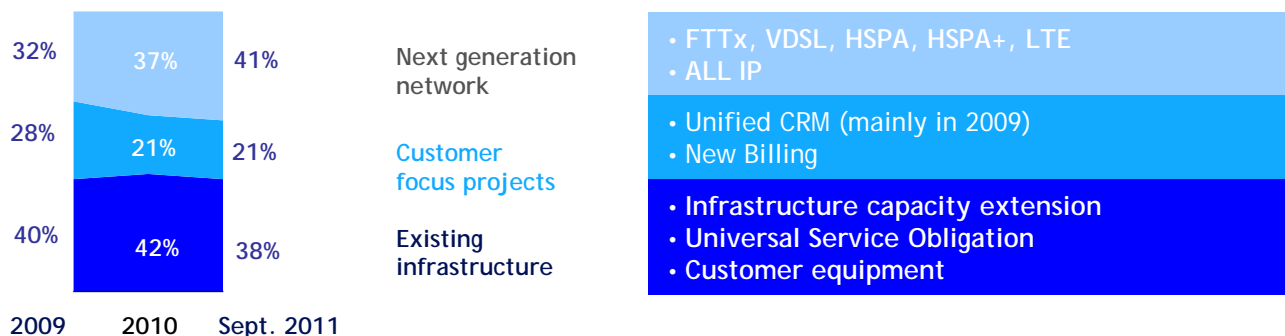
4. Group results: capex breakdown

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Consolidated CAPEX increase YoY (+189) due to Fiber and wireless rollout SCS

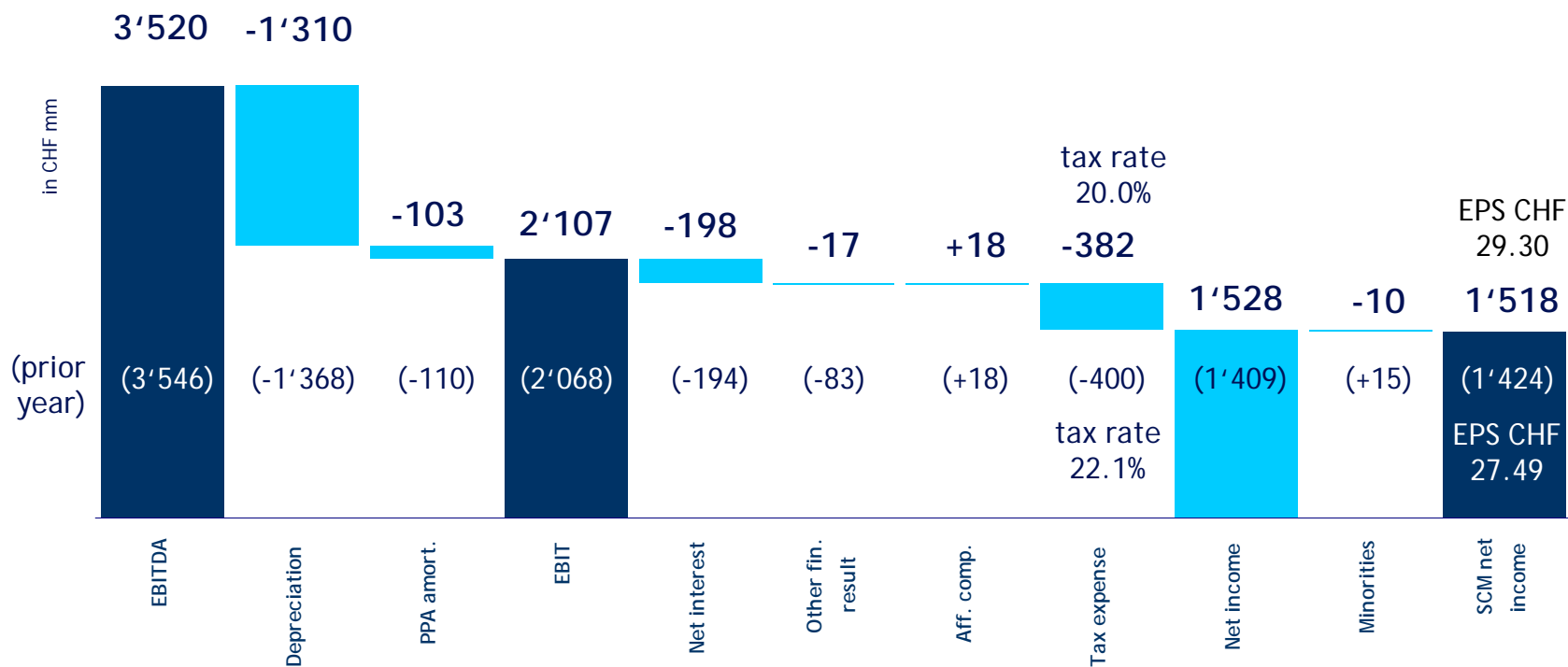


CAPEX of Swisscom Switzerland - trend to invest more into NGN continues



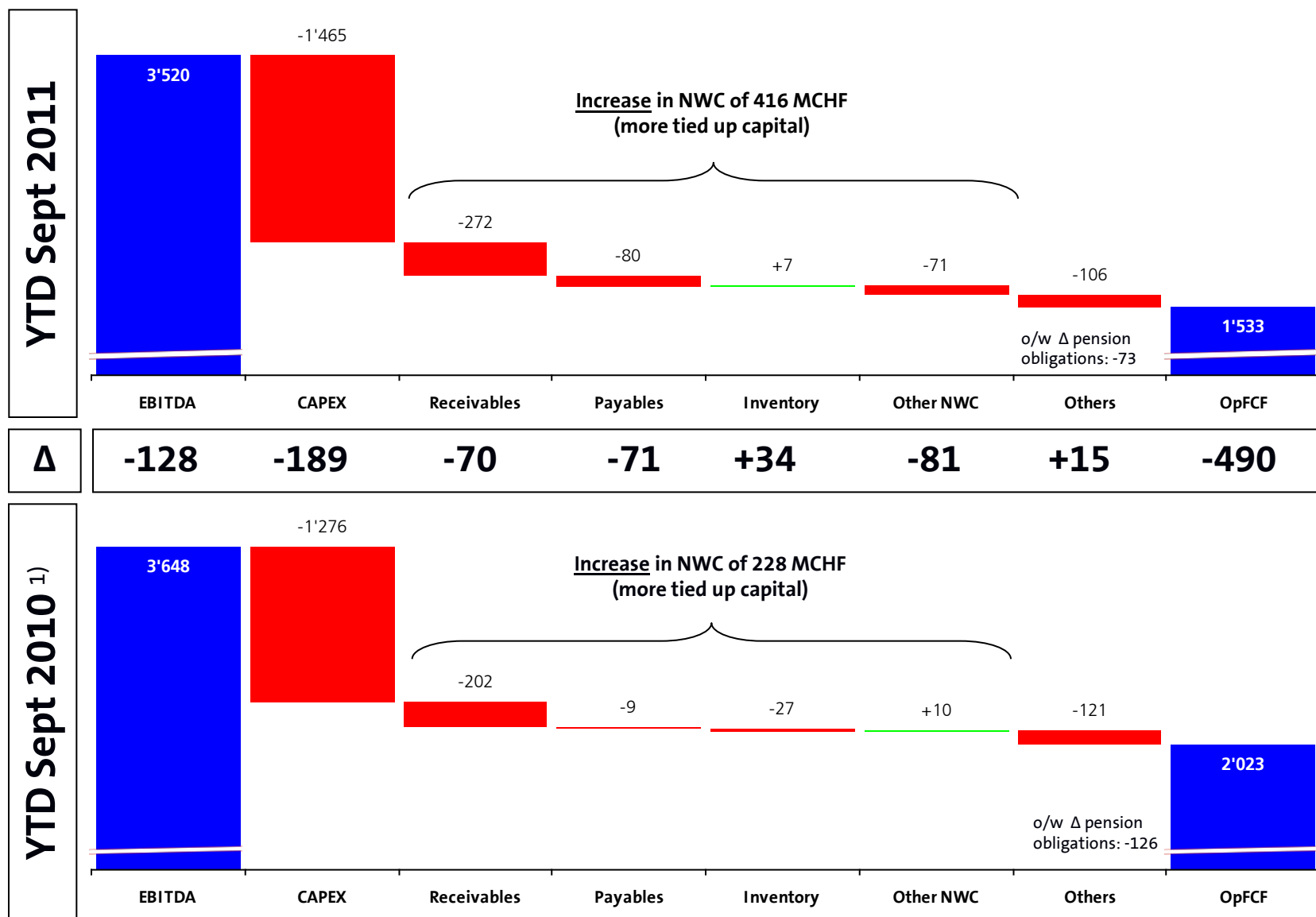
4. Group results: P&L breakdown

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Net income up mainly due to Fastweb VAT provision posted in Q1 last year and Fastweb one-off income in Q3 2011

4. Group results: operating free cash flow breakdown in MCHF



1) YTD 2010 on comparable basis: excluding VAT case provision of 102 MCHF, affecting EBITDA and „Others NWC“ equally, posted in Q1/2010.

5. Outlook 2011 after the third Quarter

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Swisscom
Group
(including
Fastweb)

CHF bln	2010 Actual	2011 Expected
<i>Exchange rate CHF/€</i>	<i>1.37</i>	<i>1.20</i>
Revenues	12.0	~11.5
EBITDA	4.6	~ 4.6
CAPEX	1.9	~ 2.0
Dividend/share (payable the year after)	21 (approved by General Assembly, with payment on 29 April 2011)	at least 21 (upon achieving the financial targets above)

Outlook unchanged compared to previous statement (after Q2)

Q&A

Cautionary statement regarding forward-looking statements

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"This communication contains statements that constitute "forward-looking statements". In this communication, such forward-looking statements include, without limitation, statements relating to our financial condition, results of operations and business and certain of our strategic plans and objectives.

Because these forward-looking statements are subject to risks and uncertainties, actual future results may differ materially from those expressed in or implied by the statements. Many of these risks and uncertainties relate to factors which are beyond Swisscom's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of governmental regulators and other risk factors detailed in Swisscom's and Fastweb's past and future filings and reports, including those filed with the U.S. Securities and Exchange Commission and in past and future filings, press releases, reports and other information posted on Swisscom Group Companies' websites.

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